

June 22nd, 2012

YES BANK LIMITED

HOLD

Yes Bank Ltd. is engaged in providing a range of banking and financial services. The bank operates in four segments: treasury, corporate / wholesale banking, retail banking and other banking operations. Following the success of its version 1.0 strategy, the bank has embarked on a version 2.0 strategy.

- Total business continues to grow at more than industry growth rate** Despite having major exposure to the corporate loans which largely includes infrastructure credit, the advances continues to beat the industry credit growth. The growth in the industry's corporate credit moderated during the last few quarters to around 14% Y-o-Y. However, bank's advances have grown at a CAGR of 22% as on March 31st 2012 since FY09. However, during FY12, the advance growth of the bank too moderated from its historical trends, following the rate hike pressure during the year.
- Asset quality remains strong** As on March 31st 2012, total gross NPA of the industry stood at around Rs 1.2tn, which has grown by around 40% Y-o-Y. Notwithstanding, the asset quality of the bank has remained firm as GNPA of the bank has grown by only 4% Y-o-Y in FY12.
- Stable NIM due to increase in CASA** Yes Bank is one of the few banks which increased the saving a/c rates following its deregulation. As a result, the CASA share, which remained the lowest in the industry at 10% has jumped to 15% in FY12. The bank has stated that it plans to take it to 20% in the upcoming periods. Going forward, we therefore believe that higher CASA share will protect its margin.
- Diversification in retail business** Historically, the bank has majorly positioned itself in the big ticket corporate loan with almost nil exposure to the retail segment. However, during the last 2 years the bank has started diversifying into the retail segment. Increase in the retail exposure is likely to help maintain its margins.

Based on a standalone FY15 P/ABV multiple of 1.63, the fair value for the company works out to Rs 398/share

Financial Snapshot (Standalone)

Projections (Rs Mn)	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Interest income	20,033	23,697	40,417	63,074	79,542	98,159	117,324
% growth		18%	71%	56%	26%	23%	20%
Other Income	4,350	5,755	6,233	8,571	10,340	12,761	15,252
% growth		32%	8%	38%	21%	23%	20%
Total income	24,383	29,452	46,650	71,645	89,883	110,920	132,576
% growth		21%	58%	54%	25%	23%	20%
Operating expenditure	4,185	5,002	6,798	9,325	13,872	16,639	17,308
% growth		19%	36%	37%	49%	20%	4%
Provisions & contingencies	2,238	3,856	4,633	5,632	7,163	8,640	11,609
% growth		72%	20%	22%	27%	21%	34%
Net income	3038	4777	7271	9770	12225	15712	19359
EPS	10	14	21	28	35	45	55
BVPS	55	91	109	132	163	200	246
ABVPS	53	91	109	132	162	199	245
P/E					9.59	7.46	6.05
Price/ BV					2.04	1.66	1.35
Price/ ABV					2.05	1.67	1.36

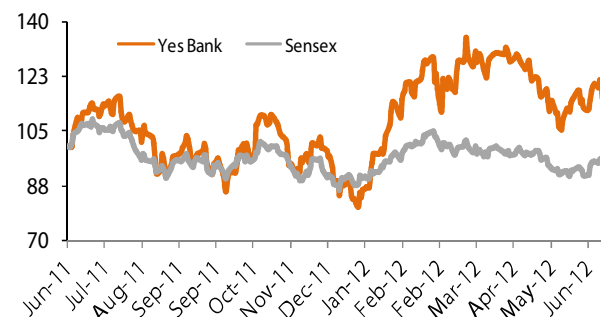
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Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

Strong Buy – Expected Returns > 20% p.a.
Buy – Expected Returns from 10 to 20% p.a.
Hold – Expected Returns from 0 % to 10% p.a.
Reduce – Expected Returns from 0 % to 10% p.a. with possible downside risk
Sell – Returns < 0 %



STOCK DATA				
BSE / NSE Code	532648 / YESBANK			
Bloomberg Code	YESBANK in Equity			
No. of Shares (Mn)	353			
Sensex / Nifty	16895 / 5120			
PRICE DATA				
CMP Rs (20th June, 2012)	332.1			
Beta	1.44			
Market Cap (Rs mn)	117210			
52 Week High-low	389.50/ 230.5			
Average Daily Volume	380,442			
STOCK RETURN (%)				
	30D	3M	6M	1Y
Yes Bank	6.5%	-9.3%	36.8%	14.2%
Sensex	4.6%	-2.4%	11.3%	-3.5%
Nifty	4.7%	-2.9%	12.7%	-2.6%
SHARE HOLDING PATTERN (%)				
Promoters	26.1			
Institutional	62.2			
Non Institutional	11.6			
Total	100.0			
1 Year Price Performance (Rel. to Sensex)				



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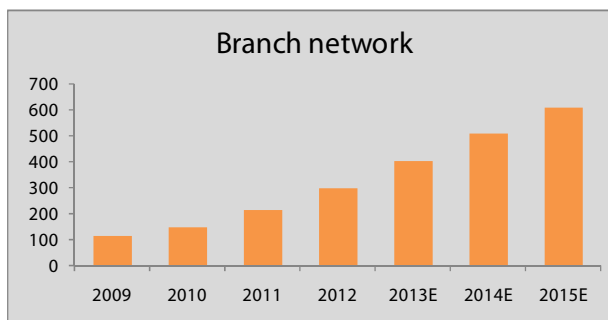
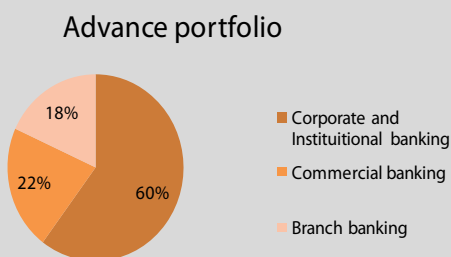
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BUSINESS PROFILE

Yes Bank Ltd is engaged in providing a range of banking and financial services. It operates in four segments viz. treasury, corporate/wholesale banking, retail banking and other banking operations. The treasury segment includes investments, all financial markets activities undertaken on behalf of the bank's customers, trading, maintenance of reserve requirements and resource mobilization from other banks and financial institutions. The corporate/wholesale banking segment includes lending, deposit taking and other services offered to corporate customers. The retail banking segment includes lending, deposit taking and other services offered to retail customers. The other banking operations segment includes parabanking activities, such as third-party product distribution and merchant banking. At the beginning of FY11, the bank embarked on an ambitious journey into the next phase of growth and launched YES BANK - VERSION 2.0, with an aim of building the best quality bank in the World. Version 2.0 is clearly the most stimulating phase in the life cycle of YES BANK with a vision of establishing 750 branches, 3000 ATMs, 12,000 employees, Rs 1.25tn deposit base, Rs 1tn. loan book and Rs 2.25tn balance sheet size by 2015.

Distinction of obtaining RBI's Greenfield banking license

One of the fastest growing private sector banks



Following Version 2.0 strategy for the rapid business growth

Credit portfolio

Credit portfolio of the bank primarily consists of corporate and institutional banking (C&I), commercial banking and branch banking. C&I division involves credit and the allied services to the corporate clients with a turnover of more than Rs 20bn. The commercial banking division mainly concentrates on the mid-sized corporate clients with a turnover between Rs 2bn to 20bn. The bank originates retail credit through branch banking division. Besides the credit generation, all the segments provide allied activities such as advisory services, net banking, phone banking etc. Historically the C&I division has dominated the total advances of the bank with around 60% share followed by 22% share of commercial banking. However, with the strategy to diversify its credit portfolio the bank has been continuously reducing its corporate loan book share in the total advances.

Exposure mainly comprises of corporate loans

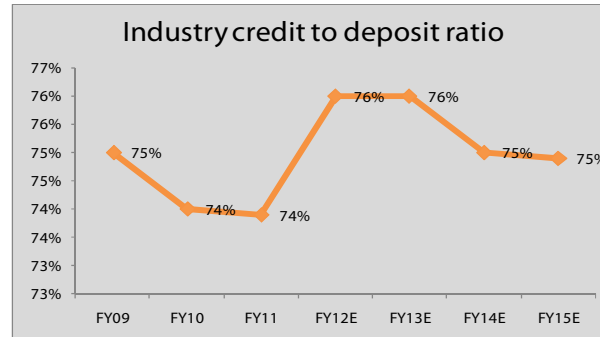
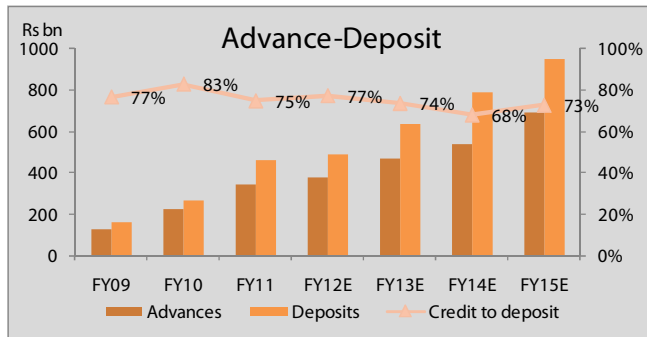
The bank targets to increase the branch network to 750 by FY15

With a plan to further augment the retail base, the bank has maintained an ambitious target to more than double its branch network from 300 to 750 by FY15. We therefore believe that saving a/c deposits will continue to increase on account of increase in retail presence. The bank has stated that it plans to increase CASA share to 20% by FY15 from 15% currently. However, we have pegged the branch network at 600 by FY15.

Plans to increase number of branches to 750 by FY15



BUSINESS PERFORMANCE



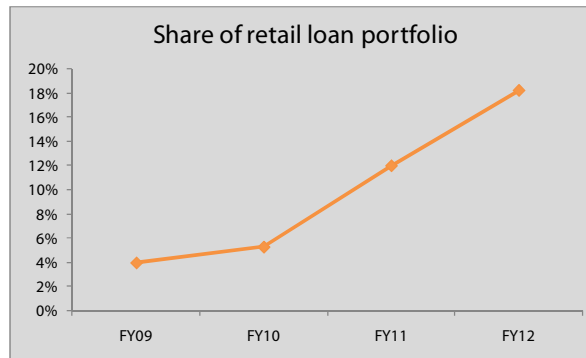
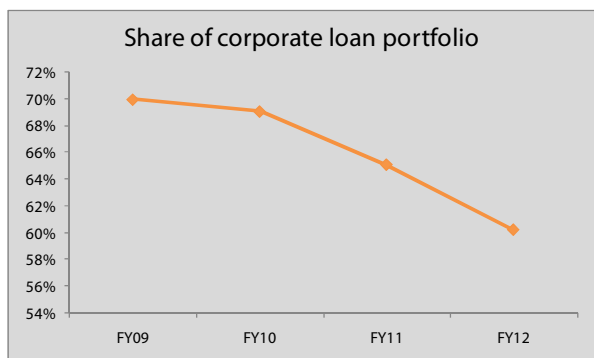
Better credit to deposit than the industry

Better advance growth than the industry advance growth has helped the bank to achieve superior credit to deposit ratio during the last few years. Historically the bank's advances have grown at a CAGR of 45% during the last 4 years, while the industry credit has grown at a CAGR of 22%.

Knowledge driven banking helps the bank to achieve superior credit growth

Since inception the bank has a very clear strategy to focus only on those areas where the bank has expertise. Consequently, the bank has maintained majority of the exposure towards big ticket corporate loans on the back of skilled analytical teams of professionals. As a result, the bank could expand its total business activities at almost 2.5 times the industry growth rate.

Better credit to deposit at 77%



Knowledge driven banking helped to achieve superior growth

Fall in the share of corporate loans

Diversification into the retail space

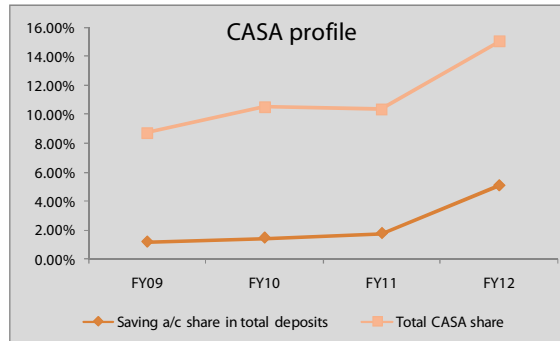
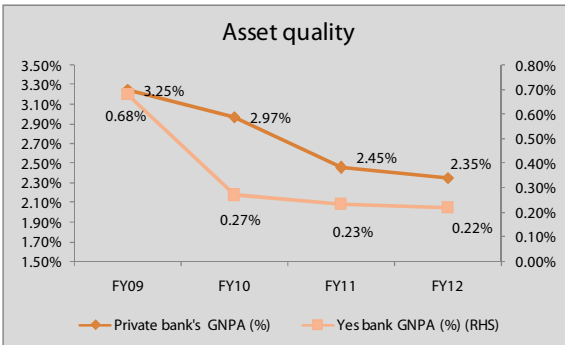
The bank has diversified its credit base from a corporate loan portfolio to the retail portfolio. During its initial growth stage, it rapidly increased the credit portfolio with the majority of exposure towards corporate loans (C&IB and commercial banking). However, post FY09, the bank has been gradually increasing the retail base. Going forward, the bank has stated that it will continue enhancing its retail base. However, diversification may come at the cost of lower growth in the credit portfolio, as industry's retail credit has grown at a CAGR of 21% for the last 6 years as compared to 29% CAGR in industry credit. Accordingly, we have pegged the forward CAGR in advances at 22%, lower than its historical growth rate of more than 40%. Nevertheless, credit growth of the bank will continue to outperform the industry credit growth in the upcoming periods.

Diversification into the retail space



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BUSINESS PERFORMANCE (contd...)



Better asset quality than the industry

Beats the asset quality of the industry

The bank has one of the most sound asset qualities in the industry. Despite maintaining higher exposure to the sectors like power, telecommunication, cement, roads and ports etc., the bank's asset quality has comprehensively beaten the industry's asset quality. GNPA ratio of the bank stood at an average 0.50% during the last four years, while GNPA ratio of all private sector banks stood at around 2.30% GNPA ratio for the similar period. On account of the strong asset quality, the bank has been able to contain provisioning expenses. As a percentage of the pre provisioning profit, it stood at 1% in FY12. However, advances restructured during FY12 has grown to Rs 2.04bn from Rs 0.9bn in FY11 owing to the high stress across all the sectors during the last year.

Increase in saving a/c rates has increased its CASA base

Commensurate with its strategy to diversify into retail space, the bank wanted to expand its retail deposit base which remained way below than the industry average. CASA share stood at 10% in FY11 as compared to average 40% of the industry. However, post deregulation of the saving rates by the central bank, Yes bank increased the interest on saving deposits to 7% from 4%. As a result during FY12, the saving deposits have increased to Rs 25bn from Rs 8bn, an increase of 200% Y-o-Y. Consequently, it helped the bank to secure 15% CASA share in FY12. Going forward, the bank has maintained a target of 20% CASA share by FY15. We believe that the bank is likely to achieve its target as it has been continuously increasing branch network across tier I and II cities.

Amount of assets restructured during FY12 increased

Increase in saving a/c increased the saving deposit share

Peer comparison

Peer Group Comparison						
Companies	Rs Mn	Total income	NIM	CAR	P/E (x)	P/B (x)
Yes Bank		71645	2.6%	17.9%	11.92	2.49
ING Vysya Bank		45265	3.1%	14.0%	11.49	1.32

FY12 figures

NIM of Yes Bank has remained lower than that of peer. ING Vysya Bank could achieve better NIM on account of better deposit mix. However, going forward, likely increment in the saving deposits may improve the NIM of Yes Bank. With respect to other parameters such as total business growth, asset quality and capital adequacy, Yes Bank has considerably beaten its peer. At the current market price, the stock is trading at 2.49 (x) trailing book value and 1.34(x) FY15E book value which looks attractive considering expected RoE of 24.61% in FY15.

Management has a target to increase the CASA share to 20% by FY15



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VALUATION

Based on a standalone FY15 P/ABV multiple of 1.63, the fair value for the company works out to Rs 398/share

We estimate that the company's NII will increase at a CAGR of 27% over FY2012-15 to Rs 33.02bn and PAT to grow at a CAGR of 26% over FY2012-15 to Rs 19.35bn.

Based on a standalone FY15 P/ABV multiple of 1.63, the fair value for the company works out to Rs 398/share.

We recommend a "HOLD" rating on the stock.

Financial Analysis and Projections (Standalone)

Particulars (Rs Mn)	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Interest income	20,033	23,697	40,417	63,074	79,542	98,159	117,324
Other income	4,350	5,755	6,233	8,571	10,340	12,761	15,252
Total income	24,383	29,452	46,650	71,645	89,883	110,920	132,576
Interest expended	14,921	15,818	27,948	46,917	56,623	69,929	84,299
NII	5,112	7,880	12,469	16,156	22,919	28,231	33,024
Operating income	9,462	13,635	18,702	24,728	33,260	40,991	48,277
Operating expenditure	4,185	5,002	6,798	9,325	13,872	16,639	17,308
PPP	5,277	8,633	11,904	15,402	19,388	24,352	30,968
Provisions & contingencies	2,238	3,856	4,633	5,632	7,163	8,640	11,609
Net income	3,038	4,777	7,271	9,770	12,225	15,712	19,359
EPS	10	14	21	28	35	45	55
BVPS	55	91	109	132	163	200	246
ABVPS	53	91	109	132	162	199	245
Valuation Ratios (x)					FY13E	FY14E	FY15E
P/E					9.59	7.46	6.05
Price/ BV					2.04	1.66	1.35
Price/ ABV					2.05	1.67	1.36

Key working ratios

Particulars	FY12	FY13E	FY14E	FY15E
Interest income as % of AWF*	9.51%	9.29%	8.84%	8.35%
Other income as % of AWF*	1.29%	1.21%	1.15%	1.09%
Cost to income ratio	37.71%	41.71%	40.59%	35.85%
Advance growth	10.55%	23.74%	14.65%	28.22%
Deposit growth	6.99%	29.94%	23.86%	20.15%
Cost of deposits	8.08%	7.24%	7.14%	7.04%
Yield on funds	12.24%	11.89%	11.89%	12.39%
Spread	4.15%	4.65%	4.75%	5.34%
NIM	2.60%	2.87%	2.77%	2.70%
Yield on investments	7.93%	8.31%	7.93%	7.23%

*AWF is average total assets

Balance Sheet (Standalone)

Particulars (Rs Mn)	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Source of funds							
Capital	2,970	3,397	3,471	3,530	3,530	3,530	3,530
Reserves & Surplus	13,272	27,499	34,469	43,237	53,884	67,069	83,198
Total Shareholders Funds	16,242	30,896	37,941	46,766	57,414	70,599	86,728
Deposits	161,694	267,986	459,389	491,517	638,700	791,100	950,494
Borrowings	21,891	47,491	66,909	141,565	199,838	239,244	278,650
Other Liabilities and Provisions	29,181	17,453	25,831	56,773	80,029	144,815	249,619
TOTAL LIABILITIES	229,008	363,825	590,070	736,621	975,981	1,245,758	1,565,492
Application of funds							
Cash and balances with RBI	12,777	19,953	30,760	23,325	38,322	43,510	52,277
Balances with banks	6,450	6,779	4,200	12,530	16,282	20,167	24,230
Investments	71,170	102,099	188,288	277,574	409,066	538,746	579,313
Advances	124,031	221,931	343,636	379,886	470,053	538,932	691,032
Fixed Assets	1,311	1,155	1,324	1,771	1,390	1,410	1,474
Other Assets	13,269	11,907	21,861	41,535	40,868	102,992	217,165
TOTAL ASSETS	229,008	363,825	590,070	736,621	975,981	1,245,758	1,565,492



Board of Directors		
Director Name	Current Position	Description
Mr Rana Kapoor	Chief Executive Officer	Mr. Rana Kapoor serves as Chief Executive Officer, Managing Director and Wholetime Director of Yes Bank Limited. He holds an MBA from Rutgers University in New Jersey, U.S.A. and a Bachelor's degree in Economics (Honors) from the University of Delhi. A professional entrepreneur, Mr. Kapoor has decades of banking experience to his credit. Prior to joining YES BANK, he was the Chief Executive Officer and Managing Director of Rabo India, responsible for all its business activities, including Corporate Finance and Investment Banking. He was also the Managing Partner in RIF, where he established a joint venture financial services organization with Rabobank in India. In the short span of five years, Mr. Kapoor developed RIF to be amongst the top five corporate and investment banking houses in India, and RIF has been recognized for exhibiting the country strategy within Rabobank's international operations. Under his leadership, RIF evolved into a robust financial services organization, with lasting value and an excellent future outlook. Under his leadership, ANZIB emerged as one of the strongest investment banks in India. It was awarded the International Finance Review (IFR)'s 'Loan House of the Year' for 1997 and 'Power Project Finance Team in India' for 1997 by GLOBAL FINANCE. In the Merchant Banking area, its competitive position improved dramatically from 193rd to 6th under Mr. Kapoor's leadership. During his tenure, Bank of America emerged as the wholesale corporate bank in India. Mr. Kapoor was awarded the CEO's Award by the Chairman of Bank of America, the highest professional recognition for consistent, performance excellence. He has recently been appointed as the Chairman of CII's Banking Committee for the year 2005-06.
Mr Surindar Kapoor	Chairman	Mr. Surrinder Lal Kapur is Independent Non-Executive Part Time Chairman of the Board of Yes Bank Limited since April 27, 2010. He served as Independent Director of the Bank. He is M.A. (Maths) and a Law graduate. He has also completed his training in Public Administration, National Academy of Administration, Mussoorie. He retired as a member of the Board for industrial and financial Reconstruction (BIFR), a statutory body set up by the Government of India with a mandate to revive and rehabilitates the sick industrial enterprises. He had also worked as secretary to the Government of India, Department of small scale industries & agro and rural industries (Ministry of Industry) and Ministry of Food Processing Industries. He had also served as joint secretary in Ministry of Industrial Development (incharge of secretariat for Industrial Approvals and Industrial Policy) Earlier he had worked for 25 years with the Government of Punjab on various assignments including chief secretary to the government of Punjab. He does not hold any shares of the Bank. Presently he is the chairman of the board remuneration Committee and a member of audit & compliance committee and Fraud Monitoring Committee of the Bank.
Mr Alok Raatogi	President	Mr. Alok Rastogi is Group President and Chief Operating Officer at Yes Bank Limited. He leads all localized/decentralized branch operation activities which include Clearing Operations and Localized CMS Operations. Alok is involved in creating the significantly important total Service proposition at the branch level, and works closely with all the Business Heads, to provide the necessary touch points and enhance and offer superior customer experiences at YES BANK. Alok, an alumnus of IIM Kolkata, brings with him over 12 years of experience in business planning and operations. Prior to joining YES BANK, he was the Senior Vice President & Dy. SCOO (Sr. Country Operations Officer) with Citibank N.A, India, in their Corporate and Institutional Banking business vertical, where he was responsible for enhancing the service quality with a focus on driving synergies and improving productivity across all branches and eServe to strengthen their cash and trade operational delivery, before which he was instrumental in integrating Front-end Branch Operations and Service Deliveries across the Corporate & Consumer Bank, at Citibank, India. As a part of Business Planning, Alok has played a role in developing strategic plans and initiatives and provide support to all functions in the India Cluster. During his tenure at Citibank, he also headed the International Trade Operations division in Mumbai. Alok, after completing his Engineering from Delhi College of Engineering, worked with Tata Motors at Pune, where he was responsible for devising and implementing a comprehensive plan for the fabrication of tooling for their various products.
Mr Umesh Jain	Chief Information Officer	Mr. Umesh Jain is President and Chief Information Officer of Yes Bank Limited. He spearheads the Information Technology initiatives and is responsible to further fortify the Bank's technology edge and to continue its growth trajectory supported by Technology led innovations. He is also responsible for driving innovation projects, and developing strategic planning guidelines in accordance with the Business Strategy of the Bank leveraging and building upon Class Technology as a key pillar and differentiator of YES BANK. Umesh brings with him 14 years of national and international experience across USA, Europe, Middle East and Africa, and has managed highly visible, multi geography driven strategic projects and programs under various operating models including centralizing, outsourcing and off-shoring. Prior to joining YES BANK, Umesh was the Business Head - Corporate and Investment Banking Technologies at Citigroup IT Operations and Solutions (CITOS), providing IT services to global clients. He was instrumental in expanding the business and also played a key role in setting up operational processes in the organization. Earlier, in Citigroup, as the Vice President - Technology, EMEA (Europe/Middle East/Africa), Umesh has been a key influencer in program governance and strategy. He has played an active role in setting up the central offshore team for Flexcube rollouts in the EMEA region, and has implemented multiple installations of Flexcube. Umesh is a B. Tech in Manufacturing Sciences and Engineering from the Indian Institute of Technology in Delhi.
Me Rajat Monga	Group President- Financial Markets	Mr. Rajat Monga is Group President- Financial Markets & Chief Financial Officer of Bank Limited. He is spearheading the Financial Markets, Financial Institutions Relationship Management and Investment Management practices in the Bank. He is responsible for building and developing the Financial Markets function in YES BANK focusing on trading and client distribution of FX, Fixed Income, Derivatives and Structured Products in addition to balance sheet management. Rajat is also responsible for institutionalizing practices in all aspects of financial accounting, taxation, technology based Management Information Systems and expense management. His role also includes ensuring the integrity of all aspects of Financial Management in fullest compliance with the Bank's accounting standards and Corporate Governance policies. Rajat brings with him considerable and experience in the areas of Balance Sheet Management, Treasury Management, Financial Markets and Product Development. Prior to joining YES BANK, Rajat was working with Rabo India Finance as the Head, Financial Markets, India. He has also worked with the Unit Trust of India as a part of the Market Operations Department where he co-managed four equity mutual fund schemes, along with undertaking secondary market debt operations for all debt mutual fund schemes. Rajat is an engineer from IIT Delhi and holds a postgraduate diploma in Management from IIM, Ahmedabad.

